# 2016 | CONTROLLING

## SEPTEMBER 12–15 • SAN DIEGO

## Top SAP Controlling Questions

We asked our roster of SAP Controlling experts the following question: What is the top SAP Controlling question you are asked by your clients and/or co-workers? We have compiled their *responses for you here.*

*Questions include:*

1. **What is the difference between planning and budgeting in SAP Controlling?**

2. **Simple Finance, Central Finance, S/4HANA Finance, Universal Journal, Simplified Financials, Smart Business, S-Fin, Side-Car, etc. What is what?**

3. **How do I troubleshoot product costing error messages?**

4. **Why are there profit center accounting sections in the SAP menu structure under both FI-GL and in CO under Profit Center Accounting. Are they the same thing, or are they different?**

5. **POB, VC, SSP…huh? What do these acronyms have to do with SAP and Controlling?**

6. **Why are there differences between CO-PA and G/L?**

7. **What are some SAP Controlling best practices to manage fleet costs?**

8. **What is Work in Process (WIP?**

9. *Why standard costing - what's the advantage?*

To learn more from all of the experts who answered the top SAP Controlling questions, attend the Controlling 2016 Conference September 12th – 15th, 2016 at the Westin San Diego Hotel, San Diego, CA.

**Learn more about the Controlling 2016 Conference: http://controlling.erpcorp.com/**

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# 1. What is the difference between planning and budgeting in SAP Controlling?

Theoretically, planning is related to strategies and long term management of your resources to achieve your business goals while budgeting is meant for managing and monitoring how you spend your funds in your day-to-day transactions. However, in SAP there are some differences between budgeting and planning that you should be aware of and we can put them under three main headings:

**Level of details:** When you record your planning in SAP, you are able to detail your planning as much as you can. You can plan by cost element, activity type, resource, etc. You can also plan using quantities and capacities. On the other side, budgeting uses one lump sum amount per object.

**Availability control:** Availability control is the function you use to make the system checks the available amount to be spent on a specific object and issue warning or error messages at some levels of spending. Availability control can be activated using budgeting and can't be activated for planning. This means that you are just able to report on the variances occurred between planning and actual expenditures, but you cannot automatically stop spending over the planned amounts which is possible only using budgeting.

**Allowed controlling objects:** Planning can be done on all types of controlling objects, so you can plan on cost centers, profit centers, internal orders, WBS elements while budgeting is applicable only on the temporary or the project-like CO objects (internal orders and WBS elements). Actually, you can record a budget for a cost center but you can't use availability control with it which is the main purpose of budgeting.

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## 2. Simple Finance, Central Finance, S/4HANA Finance, Universal Journal, Simplified Financials, Smart Business, S-Fin, Side-Car, etc. What is what?

Sometimes I wish I worked for "One Voice", the SAP marketing group whose job it is to come up with fancy names like Fiori or Lumira, to make up 3-letter acronyms (and even including numbers like C4C and C4A), and to keep changing names every 3 months to keep you on your toes!

### From R/3 to S/4
As you are probably aware by now, SAP has started a complete redesign of its enterprise software, leveraging its new high-performance in-memory database called HANA (if that's news to you, you should definitely attend the annual Controlling Conference).

### Transitioning from R/3 to S/4HANA Finance



*SAP Business Suite on AnyDB*

SAP Business Suite powered by SAP HANA
http://help.sap.com/saphelp_sfin100/helpdata/en/fa/bd29b84bfc4c21af1532c9a9ec86fe/content.htm

SAP Simple Finance Add-On for SAP Business Suite powered by SAP HANA
(aka Simple Finance 1.0)
http://help.sap.com/sfin100

SAP S/4HANA Finance
(aka Simple Finance 2.0)
http://help.sap.com/sfin200

Let's assume that your company is running any version of the "SAP Business Suite" (R/3) with the traditional Finance (FI) and Controlling (CO) modules on any of the major databases like Oracle, Microsoft or IBM.

The first move would be to migrate to SAP's HANA database. At that point, your company would be running the "SAP Business Suite powered by SAP HANA". This is mostly a technical upgrade. Not to undermine the complexity of the work that has to happen there, but since the programming has barely changed, the impact on Finance and Controlling will be limited, except for an expected faster runtime while executing reports from your transactional system.
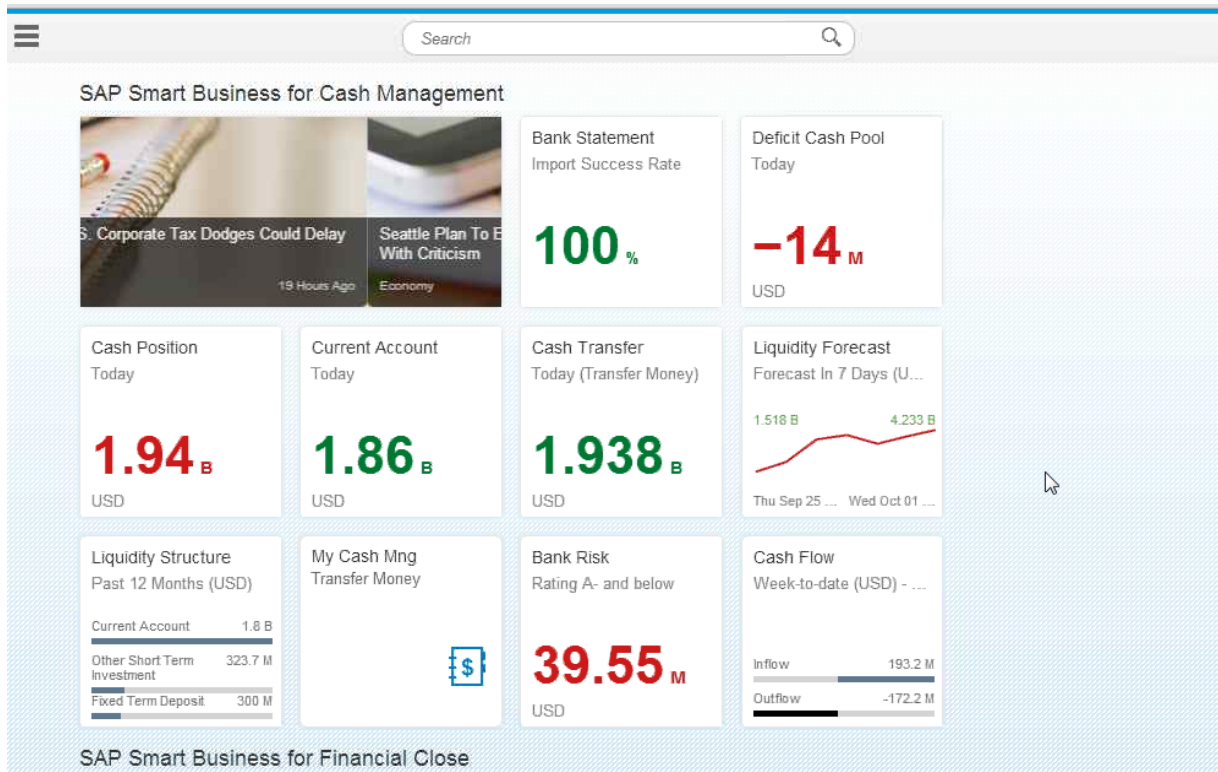
Once the database is migrated, the coding can be optimized to leverage the power of HANA. This is done by installing the "SAP Simple Finance Add-On for SAP Business Suite powered by SAP HANA". Yes, the SSFAOfSBSpbSH. Thanks, One Voice! No wonder people started calling it "Simple Finance", or S-Fin for shorts. For a little while in 2014, the term Simplified Financials or Smart Financials were also used, but have been discarded.

During the installation of this add-on, new coding wax activated. Especially, lots of old aggregations tables were replaced with views that perform much faster. In addition, some FI and CO tables were merged in the so-called Universal Journal. This is a key feature of Simple Finance that largely reduces the number of documents and simplifies the reconciliation between FI and CO.

The next generation of SAP enterprise software is called S/4HANA. It combines:

- the high-performance HANA database,

- the redesigned Data Model like the Universal Journal,

- a state-of-the-art user interface called SAP Fiori,

- a new configuration methodology called SAP Activate,

- more deployment options (more on this later).

Until now, in our upgrade steps, we have changed the database and replaced some coding and tables in the Finance and Controlling modules.  However, the user interface is still the same: either your good old SAP GUI or the more recent (but very similar) NetWeaver Business Client. With SAP Fiori, users will experience a completely new way of working. For the roles related to Finance and Controlling, several applications have been grouped under an umbrella called "Smart Business Cockpits".

*SAP Smart Business. Source: SAP*

In S/4HANA, the combination of the upgraded data model and new user interface for Finance and Controlling is called "S/4HANA Finance". In the upcoming years, the development teams will keep redesigning other modules and you will soon see "S/4HANA Logistics" or "S/4HANA Human Resources" or "S/4HANA Supply Chain".
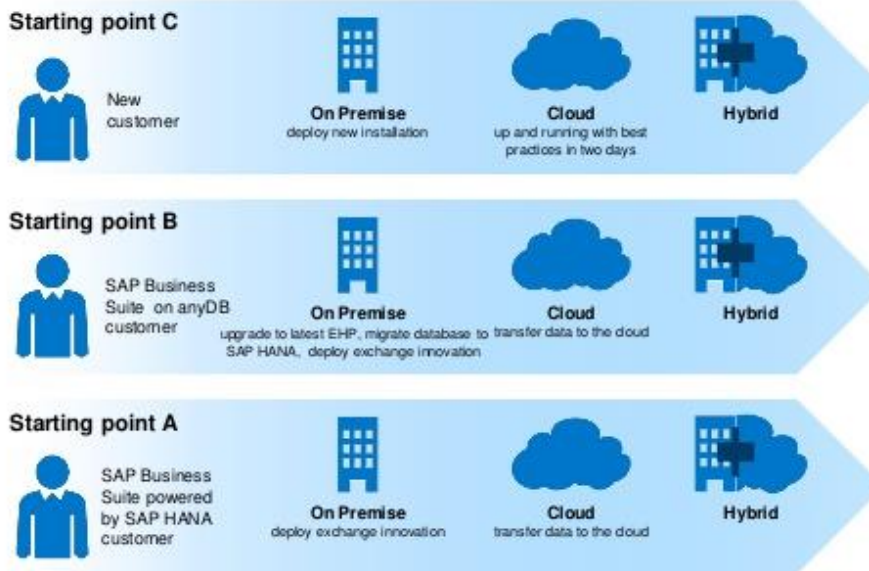
## New Deployment Options

SAP HANA and S/4HANA offer new deployment options. Beyond the traditional On-Premise default scenario, the Business Suite can now also easily be deployed in the cloud (public or private) or in hybrid combination.
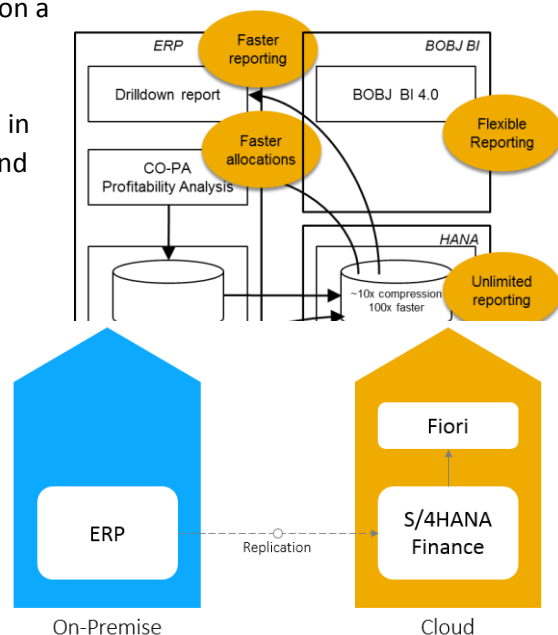
*Customer journey to SAP S/4HANA*
*3 situations, 3 deployment options*

*S/4HANA Deployment Options. Source: SAP*

In addition to deployment options for the Business Suite, HANA can be used in news ways to benefits from innovations with no or little disruption.

In the first such application, "COPA Accelerator powered by SAP HANA", an SAP HANA database is deployed in parallel to the existing Business Suite running on a traditional DB. Data is replicated in real time from the Traditional DB to the HANA instance. Reports and Transactions are running directly from the HANA database in order to gain performance without the need to train the end users. This scenario has the benefit that in case the HANA database need to be stopped, the Business Suite will automatically revert back to the traditional DB.

Another implementation scenario is the Full Side-Car. In this case, an S/4HANA instance is deployed in parallel to the Business Suite and some or all of the data is replicated between the traditional database and the HANA database. Users can still run their transactions in
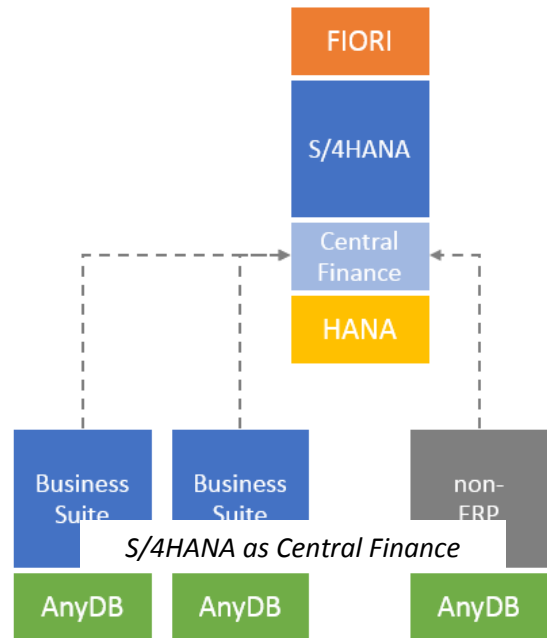


*S/4HANA Side Car*

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the current ERP system and analyze results and reports in the new SAP Fiori interface. This solution enables companies to evaluate S/4HANA in a safe environment, including sizing, on-premise vs. cloud, new user interface, etc. This scenario is highly recommended in proof-of-concept projects.

Last but not least, S/4HANA can be used as a Central Finance system. Lots of companies running multiple ERP instances—SAP and non-SAP. They simply cannot easily upgrade, let alone merge all these instances and benefit from SAP's latest innovation. Creating a real-time, granular, and global view of the organization is a continuous challenge.

An alternative to this situation is to setup a new S/4HANA instance or to upgrade one of the current ones to S/4HANA. From there, all other instances can be connected to the Central Finance module. Transactions performed in the local instances will be replicated into the central one, thus enabling a single version of the truth that can be consumed through the latest user interface and with great performance. All without disrupting local operations.

*S/4HANA as Central Finance*

## Conclusion

Yes, it's hard to keep up with SAP's rapid innovation cycle and the marketing vernacular. Hence, continuous education and networking are becoming critical. Do not hesitate to reach out with your questions, comments, and needs for clarification.

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# 3. How do I troubleshoot product costing error messages?

I am often asked how to troubleshoot common error messages encountered during costing in SAP Product Cost Planning (component CO-PC-PCP).

Product costs are impacted by multiple factors including system design, accounting policies, business requirement, costing configuration and master data setup. It is therefore not possible to visualize and list out all possible errors during costing. Let's take a look at the most frequent costing errors. First though, we need to take a look at an overview of cost estimates and costing run is provided as a background.

## Cost Estimate
A cost estimate is the planned cost of a material or a production cost carrier. It utilizes the Bill of Material (BoM) and routing / recipe to arrive at the planned cost. This planned cost can be transferred to the material master, utilized in product costing to valuate the material.

Cost estimates are created using transaction CK11N (Create Material Cost Estimate with Quantity Structure). Once reviewed and validated for accuracy, cost estimates are marked Released using transaction CK24 (Price Update: Mark / Release Standard Price). Certain cost estimates can be created only for the purpose of analysis but need not be released as a standard cost estimate in the material master.

## Costing Run
Mass costing is carried out using transaction CK40N (Edit Costing Run). The costing run enables costing of multiple materials at the same time. A costing run reproduces the entire process of costing a product with a Bill of Material (BoM). Mainly suited to carry our costing for a large set of data, they can be executed in background mode for large volumes of materials.

Costing results can be used to mark and release several standard cost estimates at once. Mark and release steps are built into the CK40N mass costing run (unlike CK11N individual costing where mark and release are performed using another transaction, CK24).

## Steps in Costing Run
Costing run involves following steps:

- Selection – materials are selected for the given plant / co code / material / material type restriction

- Structure explosion – bills of materials, routing / recipes are exploded, costing levels are determined

- Costing – materials in lowest level are costed first (e.g. raw materials), moving to next higher level

- Analysis – comparison with material master, expected revaluation are calculated

- Marking – costing result is updated as future planned price in material master

- Release – costing result is updated as current planned price in material master

A screenshot of an example costing run is provided in Figure 1. The costing step has two errors and the costing log needs to be reviewed to analyze the errors.
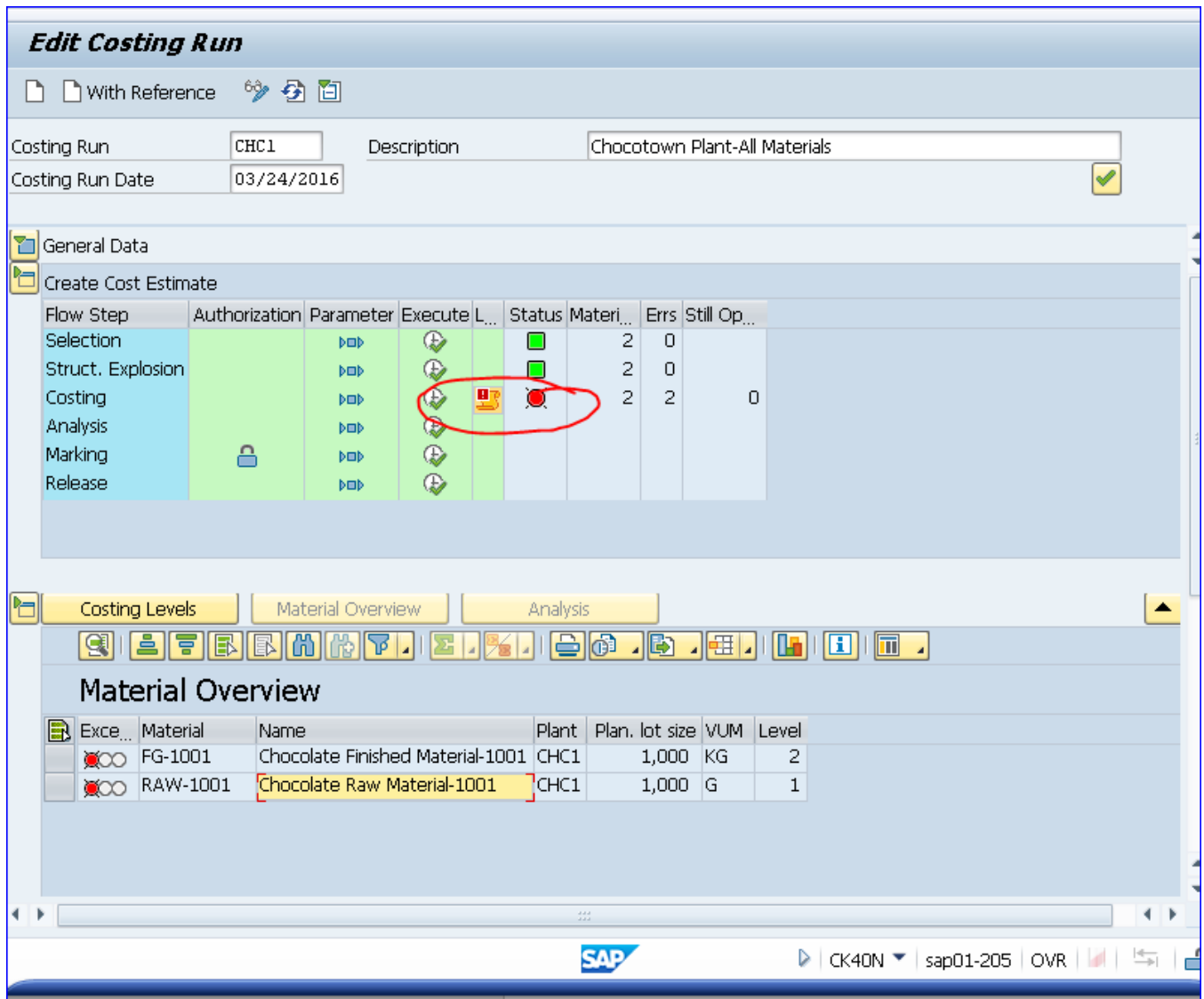


*Figure 1: CK40N Costing Run example with error log highlighted at costing step*

There could be a situation in a typical SAP implementation project where master data has been setup for the first time. A wide open costing run of all materials may result into a numerous errors and can make the error analysis and troubleshooting a bit cumbersome. In such a scenario, costing by costing levels is useful in segregating errors by costing level.

## Drivers for Costing

Product costing is the valuation of material components and activities on a process or production order utilizing material prices and activity rates. Plan and actual values are recorded and reported with variances and variances are disposed of according to company policy. Product costing is where all the direct costs for a product end up. From the perspective of inventory valuation, a manufacturing unit should include all of the costs of raw materials and conversion costs, including any overhead that went into manufacturing a finished product. The following factors impact the cost of a product:

- Component material quantities are derived from Bill of Material (BoM)

- Components are costed as per costing method (standard or moving/weighted average), by reading the values stored in the material masters, or Purchasing Information Records (PIRs), or some other planned price valuation method like trending (historical average) price

- The activities are costed by applying activity rates as the product moves through the routing (or recipe in the case of process industry), operations performed in the work centers (resources in case of process industry) in the manufacturing facility

- Overheads are absorbed into the product cost via activity types and/or costing sheet

## Errors during Costing

Accurate and error-free costing is every controller's goal. After all, releasing an incorrect cost estimate may result in incorrect financial postings. It is not possible to release another cost estimate for the same period unless reorganization is performed. It is very important that a cost estimate is thoroughly reviewed before releasing the cost.

Costing run will be error-free when all of the relevant master data is accurately setup. However, it is very rare that costing run is successful at the first attempt. Getting all materials to cost successfully requires an iterative process where the errors are analyzed in detail, fixes are made and costing is performed again. This cycle continues till the costing run is error free AND the costing results are accurate and acceptable.

Figure 2 shows contents of log created at the costing step. A few tips on how to review the log:

- Message type / traffic lights:

- Error messages are shown in red with message type "E"

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- Information messages are shown in green with message type "I"

- Warning messages, if any, will be shown in yellow with message type "W"

- All error messages must be resolved in order to mark and release cost estimates. Information / Warning messages should not be ignored, as they may provide a hint to an underlying issue.

- There can be more than one error message for a given material and plant combination

Message class and message number are unique identifiers for each category of message e.g.:

- CK 240: "Cost component split costed with value of zero" – a generic information message applicable to both the materials RAW-1001 and FG-1001

- CK 168: "Cost estimate for material RAW-1001 / plant CHC1 is incorrect" – a specific message returned while costing material FG-1001

- KL 023: "No control record for Activity type GCI1/C51100/MCHRS in version 000 / 2016 activity planning/qty planning" – this message was returned twice for material FG-1001 – once for activity MCHRS and another for activity LABOR



**Costing Run: Cost Estimate – Log**

Log created on 03/25/2016

Information 3
Warnings
Error        5
Total        8

| Exc… | Msg.typ | Material | Plant | Area | MsgNo | Message Text | PrAl… | ItmNo |
|---|---|---|---|---|---|---|---|---|
| ⊗○○ | E | RAW-1001 | CHC1 | CK | 197 | G/L account GCI1 733331 does not exist | | |
| | E | RAW-1001 | CHC1 | CK | 597 | Costing items for material RAW-1001 in plant CHC1 without cost element. | | 1 |
| | E | FG-1001 | CHC1 | CK | 168 | Cost estimate for material RAW-1001 / plant CHC1 is incorrect | | 1 |
| | E | FG-1001 | CHC1 | KL | 023 | No control record for Activity type GCI1/C51100/MCHRS in version 000 / 2016 activity planning/qty planning | | 2 |
| | E | FG-1001 | CHC1 | KL | 023 | No control record for Activity type GCI1/C51100/LABOR in version 000 / 2016 activity planning/qty planning | | 3 |
| ○○■ | I | RAW-1001 | CHC1 | CK | 776 | No valid source of supply found for material RAW-1001 plant CHC1 | | |
| | I | RAW-1001 | CHC1 | CK | 240 | Cost component split costed with value of zero | | 1 |
| | I | FG-1001 | CHC1 | CK | 240 | Cost component split costed with value of zero | | 3 |

*Figure 2: CK40N Costing Run error log example with details of error log*

## Costing errors by message category

The table below contains a compilation of frequent messages seen during costing. Some of these messages can be at times cryptic and require further explanation and steps for correction.

| Message Class | Message No. | Error description | Explanation / root cause | Steps for correction |
|---|---|---|---|---|
| KL | 023 | No control record for Activity type in activity planning / qty planning | Missing planning record for <CO Area>/<Cost Center>/<Activity Type> in <version> / <Year> combination | Maintain Cost Center Planning (KP26) for given combination in respective version and year |
| CK | 060 | Object was not costed | Missing procurement price / bill of material, depending on proc type (MM03-MRP2 view) | Maintain BOM if proc type in MM03-MRP2 "E" in-house production; maintain purchase price if "E" externally procured |
| CK | 130 | Work center <WW> in plant <PPPP> has no cost center | Material uses routing (CA03) that has work center (CR03) which is not assigned to a cost center | Maintain cost center assignment for work center (CR02) or Resource (CRC2) |
| MG | 144 | The field <MBEW-HRKFT> is defined as a required field; it does not contain an entry | Missing <Origin Group (field HRKFT)> in MM03-Costing 1 view | Maintain relevant views in material master (MM01 / MM02) |
| CK | 168 | Cost estimate for material <MMMMMMM> in plant <PPPP> is incorrect | Costing result of underlying material was incorrect cost rollup does not take place | Rectify errors in underlying materials |
| CK | 197 | G/L account <Chart of Account> <Account> does not exist | GL Account maintained in MM-FI Account determination is not setup (FS00) | Create the GL account, or modify GL Account in MM-FI Account determination (OBYC) for GBB-VBR |
| CK | 229 | No routing could be determined for material <MMMMMMM> | Missing routing (CA03) / recipe (C203) setup for the quantity structure date | Maintain routing (CR02) / Recipe (CRC2) |
| CK | 239 | Cost element <CCCCCCCC> is not assigned to a cost component | Missing assignment of cost element to cost components (OKTZ) | Maintain configuration for cost components (transaction OKTZ), map cost element to appropriate cost component |
| CK | 240 | Cost component split costed with value of zero | Costing result was zero, no cost components could be determined | Maintain BOM if proc type in MM03-MRP2 "E" in-house production; maintain purchase |

| Message Class | Message No. | Error description | Explanation / root cause | Steps for correction |
|---|---|---|---|---|
| | | | | price if "E" externally procured |
| CK | 322 | Consumption account cannot be determined | Incorrect valuation class setup in MM03-Accounting 1 view | Check valuation class in MM03-Accounting 1 view/ A valid class will point to correct consumption account. |
| CK | 323 | There is no exchange rate for exchange rate type <P> on <MM/DD/YYYY>: <USD / EUR> | Missing exchange rate for currency combination for given exchange rate type and valuation date | Maintain exchange rate (transaction OB08, updates table TCURR) |
| CK | 354 | Material <MMMMMMM> in plant <PPPP> has material status 01 : Blocked for Procmnt/Whse | Material status does not require it to be costed | Change the status of the material (MM02-MRP1 view) or exclude the material from CK40N selection |
| CK | 361 | Value of costing item 00001 in itemization is 0 | A component material in BOM has a zero cost (quantity and / or price are too small) | Analyze data setup. Sometimes there could be valid reasons to have items on BOM with 0.001 quantity (CS03) or price at 0.01 |
| CK | 380 | No valid source of supply could be found | Missing Source List (ME03) | Maintain Source List (ME01 or ME05) |
| CK | 424 | Material <MMMMMMM> plant <PPPP> has no BOM | Missing Bill of Material even though proc type (MM03-MRP2 view) is "E" In-House production | Create Bill of Material, or change the procurement type to "F" - External procurement |
| CK | 465 | No price could be determined for material/batch <MMMMMMM> plant <PPPP> | Costing result was zero | Maintain BOM if proc type in MM03-MRP2 "E" in-house production; maintain purchase price if "E" externally procured |
| CK | 466 | No price could be determined for internal activity <AAAAA> <CCCCCC> | Missing price for activity AAAAA and cost center CCCCC combination | Maintain activity price directly (KP26) or via activity price calculation (KSPI), verify price (KSBT) |

| Messag e Class | Messa ge No. | Error description | Explanation / root cause | Steps for correction |
|---|---|---|---|---|
| CK | 468 | No price could be determined for subcontracting | Missing PIR (ME13) for subcontracting, even though MM03-MRP2 view has Special Proc Type 30 - Subcontracting | Maintain PIR (ME11 / ME12) with subcontracting category for the given valuation date |
| CK | 597 | Costing items for material <MMMMMMM> in plant <PPPP> without cost element. | GL Account maintained in configuration does not exist as a cost element (KA03) | Create the cost element, or modify GL Account in MM-FI Account determination (OBYC) for GBB-VBR |
| CK | 776 | No valid source of supply found for material <MMMMMMM> plant <PPPP> | Missing purchasing information record - PIR (ME13) | Create PIR (ME11) or modify PIR (ME12) for the given valuation dates |

## Transaction codes

Important transactions codes used to troubleshoot costing errors.

| Category | Transaction description | Transaction code |
|---|---|---|
| Material Master | Display Material | MM03 |
| | Material List | MM60 |
| Bill of Material | Display Material BOM | CS03 |
| | Explode BOM: Level by Level | CS11 |
| | Explode BOM: Multilevel BOM | CS14 |
| | Where-Used List: Material | CS15 |
| Work Center / Resource | Display Work Center | CR03 |
| | Display Resource | CRC3 |
| | Work Center / Resource List | CR05 |
| | Assignment of Work Centers / Resources to Cost Centers | CR06 |
| Routing / Recipe | Display Routing | CA03 |
| | Display Rate Routing | CA23 |
| | Display Master Recipe | C203 |

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| Category | Transaction description | Transaction code |
|---|---|---|
| | Production Version: Mass Processing | C223 |
| Source List | Maintain Source List | ME01 |
| | Display Source List | ME03 |
| | Generate Source List | ME05 |
| | Source List for Material | ME0M |
| Purchasing Information Record | Create Info Record | ME11 |
| | Change Info Record | ME12 |
| | Display Info Record | ME13 |
| | Info Records per Material | ME1M |
| Cost Center Accounting Master Data | Display Cost Center | KS03 |
| | Display Cost Element | KA03 |
| | Display Activity Type | KL03 |
| Cost Center Planning | Set Planner Profile | KP04 |
| | Change Cost Element / Activity Input Planning | KP06 |
| | Display Cost Element / Activity Input Planning | KP07 |
| | Change Activity Type / Price Planning | KP26 |
| | Display Activity Type / Price Planning | KP27 |
| | Activity Type Price Report | KSBT |

## Important transactions codes for costing:

| Category | Transaction description | Transaction code |
|---|---|---|
| Individual Costing | Create Material Cost Estimate with Quantity Structure | CK11N |
| | Display Material Cost Estimate with Quantity Structure | CK13N |
| | Price Update: Mark Standard Price | CK24 |
| | Price Update: Release Standard Price | CK24 |
| | Comparison of Itemization | CK33 |
| | Display Price Change Document | CKMPCD |
| | Reorganization of Cost Estimates | CKR1 |

| | | |
|---|---|---|
| Mass Costing | Edit Costing Run | CK40N |
| | Delete Costing Run | CK44 |
| | Display Materials To Be Costed | CKAPP01 |
| | Search for Price Change Documents | CKMPCSEARCH |
| Reports | Analyze/Compare Material Cost Estimates: Results of Costing Run | S_ALR_87099930 |
| | Analyze/Compare Material Cost Estimates: Price vs Cost Estimate | S_ALR_87099931 |
| | Analyze/Compare Material Cost Estimates: Variances Between Costing Runs | S_ALR_87099932 |
| | Analyze/Compare Material Cost Estimates: Cost Estimate List | S_P99_41000111 |

**Ashish Sampat** is an experienced finance and costing professional with nearly two decades of industry experience in the SAP Finance and Controlling space. Ashish has been an SAP consultant for most of his career with various consulting organizations and now works as an independent SAP FI/CO consultant. He has provided solutions in several areas of SAP Controlling including product costing, material ledger, and cost center accounting to global clients in consumer packed goods, life sciences, and industrial sectors. Born and educated in India, Ashish now lives in suburban Chicago with his wife and two kids. Ashish is the author of a book published by Espresso Tutorials First Steps in SAP Controlling (CO).

## 4. Why are there profit center accounting sections in the SAP menu structure under both FI-GL and in CO under Profit Center Accounting. Are they the same thing, or are they different?

The answer is that this relates to a historical change in how accounting and the general ledger were structured in SAP. This change came about with the introduction of the new GL in the ECC 5.0 release around 2004. Prior to the 5.0 release profit center accounting was a module in enterprise controlling – so part of the controlling module. It had its own master data, its own transaction and totals tables, and its own ledger. In an SAP system where new GL is not active, this is the only type of profit center accounting available. With ECC 5.0 and new GL, SAP incorporated profit center accounting and a new object called the segment into the totals tables of the general ledger. Now there are actually two options for profit center accounting, one in the GL and the other classic option in controlling. It is possible to run both, but SAP's recommendation is that if you are using new GL and you are using document splitting functionality, then the classic PCA in controlling should not be active. In a system with new GL active using the profit center or segment scenario in the ledger you will see profit center master data transactions and some profit center report options in the GL menu tree. You can also see and use profit center master data transactions under the controlling menu tree.

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## 5. POB, VC, SSP…huh? What do these acronyms have to do with SAP and Controlling?

These are important acronyms associated with the new world-wide revenue accounting standard (ASC606 update 2014-09 and IFRS15) effective in 2018. SAP has developed a new product, Revenue Accounting and Reporting (RAR) to manage the process and reporting requirements.

**Performance Obligations (POB)**: A promise to deliver a good or service to a customer.

**Variable Consideration (VC)**: Elements of a contract that cause the price an entity expects to receive to vary. These elements include index-based pricing, prompt pay discounts, concessions, rebates, or similar. These affect determining the contract transaction price.

**Standalone Selling Price (SSP)**: The basis for allocating the contract transaction price to each POB in the contract.

**Kent Bettisworth** has over thirty years of experience creating new organizations as well as implementing and managing information systems. Since 1993 Kent has consulted for many Fortune 1000 corporations across all industries and is well-regarded for his business and technical expertise in SAP's Project System, Fixed Assets, and Investment Management modules. Kent has 15+ years of active leadership with Americas SAP User Group (ASUG) educating members and influencing SAP products. In addition, his company is a premier Winshuttle partner providing simple SAP data integration solutions. Find more information at www.bettisworthassociates.com.

# 6. Why are there differences between CO-PA and G/L?

The main differences between the Controlling and Finance modules in SAP are due to:

1. CO-PA posts revenue and COS when invoiced

2. G/L posts COS during goods issue and revenue when invoiced

3. Manual revenue and COS journal entries are not automatically included in CO-PA

## What can we do to minimize the differences between CO-PA and G/L?

1. Include manual journal entries for revenue and COS when running KE24 report (CO-PA report that provides monthly revenue and COS actuals data by customer, product type, and contract size). To accomplish that:

   a. Must include profitability fields (sales order, customer) in order to post to CO-PA

   b. Make profitability segment mandatory for all revenue & COS (except for entries not related to a sales order (e.g. material surcharge, scrap, expedited delivery))

2. Make sure every G/L posting that has goods issue has been invoiced but if you see differences:

   a. Use KEAT report to see any timing differences between periods:

      i. Posted to the G/L but not posted to CO-PA due to:

         1. Goods issued but not invoiced in the current period

         2. This typically occurs at month-end

      ii. Posted to G/L in previous period, CO-PA in current period:

         1. Invoiced in current period but goods issued in previous period

**Elitza Alexandrova** is the Project Controller at Genfare, a leader in providing customized fare solutions to transit agencies of all sizes throughout North America and part of SPX Corporation, a leading supplier of highly engineered HVAC products, detection and measurement technologies and power equipment. She has been with SPX more than seven years in various Corporate Accounting/Finance roles including Internal Audit and Financial Planning. Her previous two roles in Genfare were Senior Financial Analyst and Assistant Controller where she was a key resource in the site's implementation of Oracle's Hyperion Planning tool and SAP profitability analysis. In her current position, Elitza is the Finance lead for all things related to customer projects, from order status to close-out. Elitza holds an MBA from Purdue University and a Master in Accounting Science from Northern Illinois University. She is also a Certified Public Accountant, Registered, in the State of Illinois.

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## 7. What are some SAP Controlling best practices to manage fleet costs?

We recommend using CO to allocate actual fleet usage costs to specific cost objects, such as cost centers, internal orders, plant maintenance orders, WBS elements, and other cost objects sharing the same Controlling area. Use actual labor hours of the driver charging time to work orders as the cost driver. We advocate pricing vehicles in the ECC, as that results in higher utilization rates and a "right-sized" fleet. Here are five best practices to consider:

**Best Practice 1**: Pool fleet costs by vehicle class. To determine your actual fleet usage costs, first pool together your operating and maintenance costs (including fuel, insurance, repair labor, and replacement parts and even depreciation) via assessments from source objects like repair orders or cost centers charged for actual preventive and corrective maintenance performed internally or invoiced by outside service partners into a clearing pool using an internal order.

**Best Practice 2**: Charge actual usage. Price vehicles based on hourly or daily rates, as commercial car rental agencies do, not based on mileage. In this way, simple possession incurs costs, and that incentivizes cost center managers to return unused vehicles. (You wouldn't rent a car only to let it sit in your driveway, would you?) To achieve the cost movement, use internal activity allocation with activity prices in CO set for each vehicle class (e.g., light-duty trucks). Create activity types for each vehicle with the ID number of the vehicle in the master data. This allows the ECC to keep track of how each vehicle is being utilized by cost object.

**Best Practice 3:** Clear residual balances left in the fleet clearing pools. During periodic processing in Controlling, settle the balances (residuals) left in the internal orders for each vehicle class to either a fleet cost center or to the departments holding the budget for fleet. Alternatively, consider settling to a balance sheet account any remaining residuals, as this will eliminate costs flowing through the P&L due to seasonality, such as fleet idle during periods of inclement weather.

**Best Practice 4**: Group your fleet into *Pool Cars* and *Direct Assignment*. To realize the highest level of fleet utilization, we recommend incentives to turn in underutilized fleet to the pool. Assigned vehicles should be charged hourly or daily even if the driver is on vacation and the vehicle sits idle. For occasional transportation needs, the pool car fleet is a more effective way to "pay-as-you-go" with the activity price based on a target utilization of 80% or more. Assign the cost object (e.g., order number or cost center) at

the time the vehicle is checked out from the garage. This practice will right-size the fleet, reducing insurance and maintenance costs and future capital outlays for replacements.

Best Practice 5: Use PMIS to track mileage and fuel. While Controlling is your lever for pricing and costing, Plant Maintenance is your lever for utilization. Look at the Plant Maintenance Information System (PMIS) to track actual mileage and fuel consumption using measurement documents. Then, use the PMIS to calculate the miles per gallon and total miles driven by month for each vehicle. Distance and time tracking will then trigger scheduled maintenance orders automatically to keep the fleet operating at peak performance. For vehicles identified as underutilized, consider retiring them early for higher resale value.

**HPC America** is an SAP Financials expert and certified SAP partner with more than 20 years of experience consulting and delivering ROI-boosting solutions to companies on SAP. Our latest offering is the HPC Journal Entry Transfer Solution (JETS), a NetWeaver-based application that provides total control of primary and secondary cost adjustments in the ERP itself. HPC JETS eliminates reliance on lump sum journal entries, maximizes data integrity, and minimizes audit discrepancies for any company running SAP. Other HPC innovations include the first real-time FERC solution for the SAP New General Ledger; HPC Utility Financials Accelerator, an advanced reporting solution certified by SAP; and the original FERC module, which HPC created for PG&E and then sold to SAP in 1996. Learn more about HPC and SAP Fleet Management: http://www.hpc-america.com/solutions/sap-fleet-management/.

# 8. What is Work in Process (WIP?

WIP is used to valuate production orders that are not finished at the end of the month. The system will capitalize the incurred costs into the balance sheet to balance the costs for unfinished products when executing the WIP calculation, in combination with order settlement.

**Martin Munzel** is an internationally recognized speaker, author, and SAP consultant specializing in SAP Controlling functionality. He has more than 18 years of experience working with SAP, both as an external and in-house consultant. Martin has extensive experience implementing SAP FI/CO solutions in Europe, Asia, and North America in the manufacturing and wholesale industries as well as in the public sector. He regularly speaks at international SAP conferences and delivers training for consultants and SAP users.

Martin is the Co-founder and Managing Director of Espresso Tutorials, a publishing company focused on short and concise SAP textbooks. He is the author of New SAP Controlling Planning Interface, First Steps in SAP, as well as a number of best-selling German titles.

## 9. Why standard costing - what's the advantage?

One of the biggest advantages for a discrete manufacturer is that it gives you a baseline to measure performance. By setting a standard cost based on expectations (expected purchase prices, expected labor and overhead rates, etc.), you have a solid starting point. Any differences from that standard price shows up as variances (purchase price variance, production variance), and tells you exactly where you need to improve, or where you're doing better than expected. You can pinpoint anomalies on the shop floor or in your purchasing processes. Standard costing can also help you during forecasting/budgeting cycles - you can easily forecast your costs and margins down to the assembly level. If you're interested in what it actually cost to produce something, you can look at your standard cost plus/minus your variances - then you have your actual production cost, and the ability to see why they might be different.

**Sydnie McConnell** is the lead SAP business systems analyst for Finance at Woodward, which integrates leading-edge technologies into fuel, combustion, fluid, actuation, and electronic control systems for the aerospace and energy markets. Sydnie has over 14 years of experience with SAP Financials, both as a cost accountant and a systems analyst. She's worked on a variety of complex projects, focusing on SAP Controlling, including several global SAP ERP and BPC implementations. Sydnie is the co-author of First Steps in SAP.

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